

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

STARRED QUESTION NO:287

ANSWERED ON:18.12.2008

ALLOCATION OF OIL BLOCKS UNDER NEW EXPLORATION LICENSING POLICY

Acharia Shri Basudeb

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the details of the Oil and Gas blocks identified for allocation and company-wise blocks allocated under the New Exploration Licensing Policy (NELP) by the Government, area-wise;

(b) the reserve-wise details of blocks where production has already been started as well as other allocated blocks where production is expected to be started soon;

(c) the details of conditions regarding profit sharing by allocated companies with the Government; and

(d) the details of profit to be shared by the allocated companies with the Government from the sale of oil and natural gas from Krishna-Godavari Basin?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

(a) to d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO.287 SHRI BASUDEB ACHARIA TO BE ANSWERED ON 18.12.2008 REGARDING ALLOCATION OF OIL BLOCKS UNDER NEW EXPLORATION LICENSING POLICY

(a) to (d): Government of India is offering exploration blocks under New Exploration Licensing Policy (NELP) through a competitive bidding system. National Oil Companies (NOCs), Indian and Foreign companies are required to compete with each other on an equal footing to secure Petroleum Exploration Licences (PELs). Till date, six rounds of NELP have been concluded and 162 Production Sharing Contracts (PSCs) for onland, shallow water and deepwater blocks have been signed. The company-wise list of exploration blocks, for which PSCs have been signed, is annexed.

Production Sharing Contracts are long term contracts between the Government and national oil companies/private companies/joint ventures/ investors, where a contractor assumes all the pre-production risks (exploration risks) and recovers both costs and a share of profit out of the production, if any. No investment is made by the Government. When production commences, 'profit petroleum' is derived from gross revenue by deducting allowable costs and is then shared between the Government and the contractor as per PSC. In case there is no production from the block, entire expenditure on exploration in the block is incurred by the contractor.

Presently, crude oil and natural gas production is from 3 NELP blocks, viz., 2 blocks in the State of Gujarat and another block in Krishna-Godavari basin. In block CB-ONN-2000/2 operated by M/s Niko resources in Gujarat, natural gas is being produced at the rate of about 0.3 million metric standard cubic metres per day (MMSCMD). In another block CB-ONN-2000/1, operated by Gujarat State Petroleum Corporation Limited (GSPC), crude oil is being produced at the rate of about 500 barrels per day. First deepwater crude oil production from the block KG-DWN-98/3 in Krishna-Godavari basin operated by Reliance Industries Limited (RIL) has commenced at the rate of 10,000 barrels per day from 17th September 2008. The natural gas production from KG basin is likely to commence in early 2009.

The reserve estimates are about 334 million metric tonne of oil equivalent (MMTOE) in KG-DWN-98/3, about 0.25 MMTOE in CB-ONN-2000/1 and about 0.644 MMTOE in CB-ONN-2000/2. The reserves in the other blocks where discoveries have already been made, will be known only after appraisal of discoveries and assessment of production potential.

The sharing of profit petroleum with the Government including Krishna-Godavari basin under NELP is unique for each exploration block as per the biddable fiscal terms comprising of biddable profit share to the Government and biddable cost recovery limit. The profit sharing to the Government for all exploration blocks in Krishna-Godavari basin can only be computed on production of crude oil/natural gas from each block. However, in respect of KG-DWN-98/3 block from where production has commenced, profit share to the Government at annual cost recovery limit of 90% is given below:

Investment multiple	Government share of	Contractor's share of
(IM) tranche	profit petroleum	profit petroleum

Less than 1.5	10%	90%
1.5-2.0	16%	84%
2.0-2.5	28%	72%
2.5-3.0	85%	15%
3.0-3.5	85%	15%
More than 3.5	85%	15%

The profit petroleum is calculated every year based on the revenue generated from the project and costs incurred by the contractor.NELP model of profit petroleum computation supports higher profit petroleum share to the Government at higher prices and higher production of oil and gas.